

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
OCTOBER 21, 1997
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on October 21, 1997 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph C. Haughey and Kevin Lockhart, Chief Legal Counsel Mareile' B. Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. Member Pyatt moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Litigation**
- 4. Investigatory Matters**
- 5. Personnel Matters**
- 6. Closed Session Minutes**

Member Browder seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 12:50 p.m.

Board Minutes

Member Vickrey moved **that the Board approve the minutes from the open and closed sessions of the July 17, 1997 special meeting.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Member Vickrey moved **that the Board approve the minutes from the open and closed sessions of the September 15 and 16, 1997 regular meeting.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

The Chairman noted two additions to the agenda. Under the Policy section of the agenda staff will request a proposal for a new Board rule to be filed on an emergency basis. Under the Owner Licensee section of the agenda a hearing related to the Casino Queen will be discussed.

The Chairman reported that Governor Edgar has not yet appointed a fifth Board member.

The Chairman stated that the Board will next meet on December 2 with a holiday dinner the evening before. He further noted that the Board may convene a special meeting in November and that the meeting would be a teleconference. Chairman Johnson stated that the Board will propose meeting dates for 1998 under the Policy section of the agenda with final dates being reported at the December 2 Board meeting.

Administrator's Report

Administrator Belletire summarized the following monthly statistical reports: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and, Internal Control System changes.

The Administrator also reported that:

- Players/SIRCC will be changing its business name to Player's Island Casino. This business name transition will be done in conjunction with the construction of new support facilities.
- Casino Queen has created a new position of Chief Executive Officer and has hired Philip Clark to assume this position.
- The Associated Press ran an article on credit issuance on Illinois riverboats that was misleading. The reporter skewed numbers from the IGB's monthly credit reports and misrepresented credit issued and credit outstanding for over 30 days.

Owner Licensee Items

HARRAH'S - Bill Buffalo, representing Harrah's, requested initial consideration for construction of a hotel adjacent to its Joliet property. The financing will be handled internally between the partners by way of capital contributions. The hotel will be constructed by the General Partner, Harrah's Illinois Corporation.

Tom O'Donnell, General Manager of Harrah's, gave an overview of the project. Mr. O'Donnell discussed design development and reported that the project would take 12 to 14 months to complete with a start date of December 1997. The hotel will be a full service hotel, with ten floors, 204 rooms and 8,000 square feet of banquet space.

Member Vickrey asked if Harrah's currently owns the property of the proposed hotel site. Mr. O'Donnell stated that the current site of the valet parking lot will be the site of the hotel.

Member Pyatt asked if a sky-walk will be constructed. Mr. O'Donnell stated that the sky-walk is a separate project currently underway with separate financing. The sky-walk is scheduled to be complete by February 1998.

In response to Chairman Johnson, Mr. Buffalo stated that Harrah's Illinois Corporation G.P. will manage day to day hotel operations and Des Plaines Development L.P. will own the hotel and finance it with new capital contributions. (DDL P will contribute 20 percent as the Limited Partner and HIC will contribute 80 percent as the General Partner of Harrah's Casino Cruises Joliet.)

CASINO QUEEN - Administrator Belletire reported that in July 1997 the Board authorized the renewal of Casino Queen's license for a one year period with the stipulation that obligated various key persons to resolve outstanding matters by the October 1997 Board meeting. One matter that remains unresolved pertains to contracts between various owners and two private individuals. The contracts provide compensation for assistance rendered during the formative period of the licensee. The Administrator reported that he has been working with the parties regarding a hearing process to resolve the value of the contracts but an agreement has not been reached. The Administrator requested guidance from the Board.

Chairman Johnson stated that he will appoint a panel of three hearing officers in two weeks.

HP, INC. ("HP") - Administrator Belletire stated that at his request HP, Inc. was put on the agenda due to a request from HP to destroy its stock of chips and tokens. The Administrator requested guidance from the Board on this issue.

Joseph McQuaid, representing HP, stated that HP feels its chips and tokens are obsolete and requests permission to destroy them. Mr. McQuaid reported that HP will not be using the name "Silver Eagle" in the future so all assets with this name are obsolete.

Chairman Johnson asked if HP's intent is to bring another boat on line under a new name if HP prevails in the administrative hearing process. Mr. McQuaid stated that a new name would be used and chips and tokens would be re-minted bearing the new name.

Chairman Johnson asked if HP is successful in its hearing would HP open another facility at the East Dubuque location and incur the cost of re-minting chips and tokens. Mr. McQuaid responded that if HP prevails in the administrative hearing, HP will reopen in the State of Illinois and re-mint chips and tokens.

Member Vickrey asked if HP would reopen in the same location (East Dubuque). Mr. McQuaid stated that it depends on the findings of the administrative hearing. HP's request is to renew its license at a different location.

Chairman Johnson started a discussion on the power of the Board to relocate a license under the current statute. Mr. McQuaid stated that HP asked for a motion in June 1997 that would clarify the role of the Board.

Member Pyatt stated that HP still has a license to operate a riverboat in Illinois and asked what steps HP intends to take between now and the conclusion of the administrative hearing to fulfill its duty to operate the license. Member Pyatt also asked if HP is abandoning its duty to operate a license. Mr. McQuaid stated that in June it was HP's understanding that it needed to close down operations by July 31, 1997.

Michael Ficaro, representing HP, stepped up to answer questions pertaining to HP's license. Chairman Johnson stated that to operate a riverboat in Illinois the licensee must have certain assets such as chips and tokens. HP's destruction of items or sale of assets is inconsistent with its decision to retain the license. Mr. Ficaro stated that under his interpretation of the Administrative Procedures Act the license exists until final action by the Board, and that HP has the right to the owner's license.

Member Browder asked Mr. Ficaro if HP has considered that the law requires HP to operate during this interim period. Mr. Ficaro responded that HP has taken a position that is legal and that case law supports HP's position.

Member Browder asked if severance pay had been paid to employees. Mr. McQuaid confirmed that severance pay has been paid to all employees.

Chairman Johnson asked Mr. Ficaro to discuss the difference between the Board's action to not renew HP's license versus the revocation of HP's license. Mr. Ficaro stated that revocation is a different standard under a different body of rules requiring different responses. Chairman Johnson asked Mr. Ficaro to explain what the responsibilities of HP are under each of the actions. Mr. Ficaro stated that the Administrative Procedures Act provides that a license, while privileged, still has committed rights and before those rights can be taken away, certain due process, fundamental fairness and procedural requirements must be met. These requirements must be measured by a court or a body acting as if they were a court. It is the right of the license holder to pursue and retain such a license under fundamentally fair, constitutional due process and procedural right before that license can be taken from him.

Member Vickrey commented that he would like to see this matter moved along.

Member Pyatt moved **that the Board deny the request by HP, Inc. to destroy its entire inventory of chips and tokens. HP, Inc. has been told repeatedly that while it is contesting the non-renewal of its owners license, HP, Inc. must continue to**

meet its duty to operate as a licensee. The Board will not allow HP, Inc. to constructively abandon its commitments and obligations. The failure of HP, Inc. to comply with the rules and orders of the Board will subject it to disciplinary action. Member Browder second the motion and called that it be tabled until the December 2, 1997 Board meeting. Member Vickrey seconded the motion to table the motion. The motion to table the motion was approved unanimously by voice vote.

SOUTHERN ILLINOIS RIVERBOAT CASINO CRUISES ("SIRCC") - Mike Ficaro, representing SIRCC, requested approval of an amended senior credit facility.

Patrick Madamba, stated the reasons for the amendment and restatement of Players International's existing credit facility provided by Wells Fargo Bank, N.A. and a group of participating banks.

In response to Chairman Johnson, Mr. Madamba stated that Wells Fargo would continue to be the lead bank and that some of the existing banks would continue although others such as Banker's Trust would be replaced.

Member Vickrey moved **that the Board approve the proposed amendment and restatement of the company's existing credit facility provided by Wells Fargo Bank, N.A. and other participating banks. This authorization is subject to approval of the Administrator upon his review of the final documents and terms of the credit facility.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Mr. Madamba requested approval of Earl Webb as a member of the Player's Board of Directors.

Member Pyatt moved **that the Board approve Earl Eugene Webb as a Key Person of Southern Illinois Riverboat Casino Cruises, Inc.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

ELGIN RIVERBOAT RESORT ("ERR") - Mr. Richard Schulze thanked the Board for holding the September meeting in Elgin and requested renewal of its license.

Chairman Johnson stated that the Board appreciated the opportunity to visit the Elgin community and ERR's facility. He commented that it was interesting to see a riverboat casino operation developed once the market was better understood.

Administrator Belletire reported that staff completed a background and audit of ERR and found concerns related to its Internal Control System, Internal Audit function and personnel system. The Administrator reported that staff met with ERR staff and discussed its findings. He further noted that the licensee has not been fined nor has any complaint actions been issued against the licensee since its opening. The Administrator stated that ERR is an exceptionally successful casino and has established a solid working relationship with community leaders. ERR has made major

contributions to economic development, education and environmental protection through a “profit-sharing” agreement. The Administrator recommended that the Board renew the license of ERR.

Member Vickrey asked what steps ERR is taking in regard to hull inspections. Gregg Solomon responded that a preliminary underwater hull inspection has been completed by “Specialty Diving” and ERR is awaiting recommendations. Mr. Solomon discussed other alternative methods if the findings are found unsuitable by the U.S. Coast Guard. Mr. Solomon stated that the Grand Victoria is unique in that its hull construction allows access to all interior void spaces for purposes of inspecting the interior of the hull.

Chairman Johnson asked how the Coast Guard has responded to ERR’s methodologies. Mr. Solomon stated that ERR has discussed plans to construct a dry dock in the Elgin area if necessary. The Chairman stated that the Board hopes the industry will work together to resolve this issue.

Member Vickrey asked if a coffer dam could be built around the vessel as opposed to building a dry dock. Mr. Solomon stated that the vessel needs to be supported and a coffer dam does not allow for this.

Member Vickrey stated that history shows revenues decreasing after a licensee’s initial three year period and asked what ERR would do if it saw revenues trailing off. Mr. Solomon stated that ERRs immediate response would be to step up expenditures, marketing and advertising and reach out further into the market area.

In response to a question from Member Vickrey, Mr. Solomon stated that Indian gaming facilities in Northern Wisconsin have had a negligible effect on ERR’s revenues.

Member Vickrey moved that the Board renew the owner’s license of Elgin Riverboat Resort’s (“ERR”) for a one year period commencing in October of 1997. In renewing the license, the Board commends ERR for its success in contributing to economic revitalization of the Elgin community. The Board also takes special note of the extraordinary effort made by the licensee’s ownership to adhere to its unique and worthy promise to dedicate 20 percent of its profits to fostering economic development, education and environmental protection.

Furthermore, in renewing the license, the Board requests that during the forthcoming renewal period, ERR undertake measures to analyze and strengthen those aspects of its Internal Control System, its Internal Audit and its personnel system, that staff has identified as warranting changes and improvements. Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

ALTON GAMING COMPANY (“Alton”) - Don Malloy, representing Alton, requested renewal of its license.

Administrator Belletire reported that Alton has complied with the conditions set forth in its 1996 renewal and recommended that this license be renewed for one year. The Administrator noted a primary concern during this renewal period regarding two individuals. He stated that J. Thomas Long has not submitted his personal disclosure form update and John Connors has failed to provide material information to the Board relating to his ownership or sale of Argosy stock. The Administrator stated that the Argosy Board does not have adequate means to compel shareholders to comply with the Board's reporting requirements.

Chairman Johnson asked Mr. Malloy to comment on the two shareholders and their non-compliance. Mr. Malloy stated that he is working with Chief Counsel Cusack on by-laws to be voted on at Alton's April 1998 shareholders meeting to compel compliance with the Gaming Board regulations. Mr. Malloy stated that punitive action suggested for the proxy statement would be compelling sale of shares. The Chairman stated that he would like to see significant punitive actions in the by-laws if a shareholder does not comply with IGB regulations.

In response to Chairman Johnson, Mr. Malloy stated that Mr. Connors is required to file with the SEC and that the company had contacted the SEC regarding Connors' failure to file the required information.

Administrator Belletire reported that last year owner licensees and publicly-traded parent corporations were surveyed regarding the mechanisms they maintain to assure that individual owners comply with the Act and Board rules. He stated that of all licensees, Argosy has the least stringent methods to enforce compliance.

Member Pyatt asked for a staff report on what other licensee's do to assure shareholder compliance and Chairman Johnson asked to see specific language addressing this issue.

Member Vickrey asked Alton representatives to address the 17 percent drop in its November monthly revenues and to describe steps taken to reverse the trend. Dick Banner, Director of Finance, stated that two new casinos have opened in the St. Louis area resulting in an adverse impact on Alton revenues. He also stated that despite competitive pressures, Alton is generating \$1 million a month in EBITDA. In the future Alton will continue to market aggressively. Brenda Bauer, General Manager, stated that Alton plans to market themselves as the hometown, friendly, easy to get to, familiar casino.

Member Vickrey asked if employment levels have been reduced due to the loss of revenue. Ms. Bauer stated that front line employee numbers have not been reduced although she has reorganized the management staff from 23 to 5.

In response to Member Vickrey, Ms. Bauer stated that Alton's number one competitive advantage over Missouri is the absence of a loss limit in Illinois. She stated that this loss limit advantage will be included in future marketing campaigns.

Member Pyatt moved that the Board renew the owner's license of Alton Gaming Company ("Alton") for a one year period commencing in October of 1997. In renewing this license, the Board orders the following:

1. Alton must adopt measures to improve its communication with Board staff regarding, in particular, changes in its key persons and other personnel;
2. Argosy is directed to work with staff to immediately develop and adopt an effective means by which the Argosy Board can require and, if appropriate, sanction shareholders that fail to comply with regulatory disclosure requirements as set forth under the Riverboat Gambling Act and Board rules;
3. Argosy Shareholder Thomas Long is directed to, forthwith, submit to staff his personal disclosure form and other required information; and,
4. The Board hereby orders Alton and Argosy to cooperate fully with the Administrator in the investigation of John Connors, the sale of Argosy stock and the potential violation of Board rule 3000.140 and other Board requirements. Upon completion of the investigation the Administrator shall recommend appropriate disciplinary action and draft a complaint for Board action.

Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Supplier Licenses

BALLY GAMING, INC. ("BGI") - Rob Woodson, VP Regulatory Compliance for Alliance Gaming Corporation, Bill Smith, BGI's Director of New Marketing Development and Rus Strahan, BGI's Director of Sales for Eastern United States and Canada, appeared on behalf of BGI.

Administrator Belletire recommended that BGI be renewed as a supplier of electronic games and related equipment for one year. He stated that BGI was directed at its last renewal to take steps to keep to the Board apprised of material changes involving the company as well as to submit reports and applications on an accurate and timely basis. Staff detected problems with quarterly submissions. There were also problems with key persons submitting their Form 1's in a timely fashion.

Chairman Johnson asked for an explanation on the submission problems. Mr. Woodson responded that lack of personnel caused delays in filing reports and stated that an additional three people were hired to handle compliance issues. Mr. Smith stated that the content of the Quarterly Reports were accurate but the names applied to the sales were mixed up. Mr. Smith stated that BGI's computer staff have corrected the programming problems and reports will be accurate in the future.

Member Vickrey moved **that the Board approve Bally Gaming Inc.'s (BGI) application for renewal of its supplier's license and issue BGI a restricted license for a period of one year, expiring October of 1998.**

The Board notes that during the past year BGI has submitted deficient quarterly reports and has exhibited untimeliness in the submission of required information to IGB staff. In light of this, the Board orders the following:

- 1. BGI is to provide a written explanation of the measures it will undertake to assure timely and accurate submission of information to staff.**
- 2. BGI is to conduct a review and reconciliation of the gaming devices sold to casinos in Illinois.**

Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

PAUL-SON GAMING

Member Pyatt moved **that the Board approve Richard Scott and Jerry Gaylord West as Key Persons of Paul-Son Gaming Supplies, Inc.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licenses

Member Browder moved **that the Board approve 115 applications for an Occupational License, Level 2, and approve 323 applications for an Occupational License, Level 3, and deny 1 application for an Occupational License, Level 2 and deny 1 application for an Occupational License, Level 3.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearings/ALJ Reports

Member Browder moved **that the Board, having reviewed the administrative record, adopt the Findings of Fact and Conclusions of Law as stated in the recommendation of the Administrative Law Judge and deny the Level 2 Occupational License of Paul Gaxiola.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Complaints & Disciplinary Actions

Member Browder moved **that the Board issue a disciplinary complaint against Rhonda Reed. The complaint seeks to revoke Ms. Reed's license on the basis of her 1997 theft conviction.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Board Policy Items

Chief Counsel Cusack stated that among the rules approved at the September meeting included proposed Board rules 3000.405 and 3000.1126. Staff requested that these rules now be approved for emergency filing. The changes proposed to both of these rules establishes a standard to be applied in the event a petitioner believes the Administrative Law Judge assigned to him is bias or has a conflict of interest.

Member Browder moved **that the Board approve the emergency submission of Proposed rules 3000.405 and 3000.1126.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Administrator Belletire reported that staff queried owner licensees regarding credit and check cashing policies involving spouses and addressed measures casinos use to assist known "problem gamblers". A report was prepared by Christine Takada which shows that each owner has a policy but it is not clear if the policy is reinforced through training.

Chairman Johnson expressed concern that licensees rely on an individual gaming participant or family member identifying that they have a problem. Chairman Johnson asked what the gaming establishment does when it identifies that someone has a problem: Does the licensee revoke credit privileges when they identify a problem? Is there anything the licensee does before that happens? The Administrator stated that he would like the industry to respond to these questions.

Member Browder suggested that staff work with the industry to propose a uniform set of regulations. Chairman Johnson concurred. The Chairman also expressed concern for

uniformity so a competitive disadvantage is not created, where one licensee's policy is more rigid or lax than that of others.

Member Vickrey stated that he would like to see all licensees institute a policy that states when a person identifies that he has a gambling problem that his name be taken off of all mailing lists. Member Pyatt stated that she would also like staff to look at not only licensees policies but the training procedures for teaching policies to its employees.

Chairman Johnson noted the proposed meeting dates for 1998. They are: January 27, February 24, March 17, April 21, May 19, June 16, July 21, September 15, October 20 and December 1. He instructed Board members to review the dates for conflicts and stated that a final calendar would be set at the December meeting.

There being no further business to come before the Board, Member Pyatt moved **that the Board stand adjourned.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 2:45 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board